Wage Garnishment

Title III, Consumer Credit Protection Act (CCPA) (15 USC §1671 *et seq.*; 29 CFR Part 870)

Who is Covered

Title III of the Consumer Credit Protection Act (CCPA) protects employees from discharge by their employers because their wages have been garnished for any one debt, and it limits the amount of an employee's earnings that may be garnished in any one week. Title III applies to all employers and individuals who receive earnings for personal services (including wages, salaries, commissions, bonuses, and income from a pension or retirement program, but ordinarily not including tips).

Basic Provisions/Requirements

Wage garnishment occurs when an employer withholds the earnings of an individual for the payment of a debt as the result of a court order or other equitable procedure. Title III prohibits an employer from discharging an employee because his or her earnings have been subject to garnishment for any one debt, regardless of the number of levies made or proceedings brought to collect it. Title III does not, however, protect an employee from discharge if the employee's earnings have been subject to garnishment for a second or subsequent debt.

Title III also protects employees by limiting the amount of earnings that may be garnished in any workweek or pay period to the lesser of 25 percent of disposable earnings or the amount by which disposable earnings are greater than 30 times the federal minimum hourly wage prescribed by Section 6(a)(1) of the Fair Labor Standards Act of 1938. This limit applies regardless of how many garnishment orders an employer receives. As of September 1, 1997, the federal minimum wage is $5.15 per hour.

In court orders for child support or alimony, Title III allows up to 50 percent of an employee's disposable earnings to be garnished if the employee is supporting a current spouse or child, and up to 60 percent if the employee is not doing so. An additional five percent may be garnished for support payments over 12 weeks in arrears. The restrictions noted in the preceding paragraph do not apply to such garnishments.

"Disposable earnings" is the amount of earnings left after legally required deductions (*e.g.*, federal, state and local taxes, Social Security, unemployment insurance, and state employee retirement systems) have been made. Deductions not required by law (*e.g.*, union dues, health and life insurance, and charitable contributions) are not subtracted from gross earnings when the amount of disposable earnings for garnishment purposes is calculated.

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Title III specifies that garnishment restrictions do not apply to bankruptcy court orders and debts due for federal and state taxes. Nor do they affect voluntary wage assignments, *i.e.*, situations where workers voluntarily agree that their employers may turn over a specified amount of their earnings to a creditor or creditors.

Employee Rights

In most cases, Title III gives wage earners the right to receive at least partial compensation for the personal services they provide despite wage garnishment. This law also prohibits an employer from discharging an employee because of garnishment of wages for any one indebtedness. The Wage and Hour Division of the Employment Standards Administration accepts complaints of alleged Title III violations.

Compliance Assistance Available

The Wage and Hour Division of the Employment Standards Administration administers and enforces Title III. More detailed information, including copies of explanatory brochures and regulatory and interpretative materials, may be obtained from the Wage and Hour Division's Web site (www.wagehour.dol.gov) or by contacting the Wage and Hour Division's local offices (www.dol.gov/esa/contacts/whd/america2.htm). For additional compliance assistance, contact the Wage and Hour Division help line at 1–866–4USWAGE.

Penalties/Sanctions

Violations of Title III may result in reinstatement of a discharged employee, payment of back wages, and restoration of improperly garnished amounts. Where violations cannot be resolved through informal means, the Department of Labor may initiate court action to restrain violators and remedy violations. Employers who willfully violate the discharge provisions of the law may be prosecuted criminally and fined up to $1,000, or imprisoned for not more than one year, or both.

Relation to State, Local, and Other Federal Laws

If a state wage garnishment law differs from Title III, the employer must observe the law resulting in the smaller garnishment, or prohibiting the discharge of an employee because his or her earnings have been subject to garnishment for more than one debt.